
Manitoba 

Annual Report
1988

**Manitoba
Civil Service
Superannuation Board**

ADDRESS

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Manitoba



**Minister of
Labour**

May 24, 1989

To the Honourable George Johnson
Lieutenant Governor of Manitoba

May It Please Your Honour:

As Minister responsible, I have the privilege of presenting for the information of Your Honour the 50th Annual Report of the Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 1988.

Respectfully submitted,

Honourable Gerrie Hammond
Minister of Labour,
Minister Responsible for the Administration
of The Civil Service Superannuation Act



Manitoba



The Civil Service Superannuation Board

May 24, 1989

Honourable Gerrie Hammond
Minister Responsible for the Administration
of The Civil Service Superannuation Act
Room 156 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Madam:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for the administration of The Civil Service Superannuation Act, the 50th Annual Report of the Manitoba Civil Service Superannuation Board.

This report covers the period January 1, 1988 to December 31, 1988 and includes a review of the Board's activities for that period as well as the Report of the Provincial Auditor and attached audited financial statements for that period.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "R. E. Archer". The signature is written in a cursive, flowing style.

R. E. Archer, Chairperson
Civil Service Superannuation Board

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Introduction

This 50th Annual Report reviews and highlights the administrative and investment activities of the Civil Service Superannuation Board for the calendar year 1988.

The Civil Service Superannuation Board was established under subsection 5(1) of The Civil Service Superannuation Act (Act) in May, 1939.

The Board is comprised of four elected representatives of employees participating in the Fund and four employer representatives plus a chairperson who are appointed by the Government. The Board is responsible for the administration of the provisions of the Act in providing benefits for employees of the Province of Manitoba and its related Boards, Commissions, and Agencies who participate in the plan.

As Trustees of the Civil Service Superannuation Fund, the Board also has fiduciary responsibilities for ensuring that investments are made on the direction of the Investment Committee which is a sub-committee of the Board comprised of a Board member nominated by the elected employee representatives, the Deputy Minister of Finance, and a chairperson who is also the chairperson of the Board.

The Board is responsible for administering the Act which involves collecting superannuation contributions deducted from employees by participating employers, investing and monitoring investments, paying refunds on termination, negotiating reciprocal agreements to provide portability of pensions, paying pensions on retirement, counselling employees (including spouses), providing informational and pre-retirement seminars, providing

annual benefit statements, preparing brochures outlining the benefits, newsletter articles, financial statements and an annual report.

The Board operates within the guidelines, regulations and legislation contained in The Pension Benefits Act of Manitoba, which is an Act legislated to provide conformity and regulation of all pension plans administered in the Province of Manitoba.

In October, 1968, the Board began to administer the group insurance plans for all participating employers. The Public Servants Insurance Act provides group life insurance, accidental death and dismemberment insurance and dependents insurance for participating employees. The Board collects insurance contributions on behalf of Canada Life (the insurance carrier), pays the necessary premiums, pre-audits all insurance claims, prepares explanatory literature, provides informational counselling and invests the experience refunds which are held in a trust insurance fund. The Insurance Fund proceeds are used to subsidize post-retirement declining insurance benefits, provide continuing insurance while disabled, to stabilize the premium rate and may pay an insurance claim dividend when claims experience is more favourable than expected.

Since January 1, 1977, The Board has provided administrative and support services to the Municipal Employees Benefits Board. The Municipal Employees Benefits Board provides pension and group insurance benefits for approximately 2,364 employees of 267 municipal and quasi-municipal employers throughout Manitoba.

Civil Service Superannuation Board

Chairperson

Mr. R. E. Archer
Executive Vice-President
Investments and Trusts
The Investors Group Inc.

Employee Representatives

Ms. S. Walker
Civil Service
Civil Service Representative

Mr. M. J. Painchaud
Manitoba Health Services Commission
Civil Service and Manitoba Health
Services Commission
Representative

Mr. H. Janzen
Manitoba Telephone System
Manitoba Telephone System
Representative

Mr. V. L. Schentag
Manitoba Hydro
Manitoba Hydro and Small Boards
Representative

Employer Representatives

Ms. C. A. Dutcheshen
Solicitor

Mr. W. R. Hooper
Retired

Dr. P. Lommerse
Medical Doctor

Ms. L. Piche
Homemaker

General Manager

Mr. W. Worosz

Director, Administrative Services

Mr. V. McLeod

Director, Communication & Counselling Services

Mr. R. H. Covernton

Director, Financial and Computer Services

Mr. A. Borle

Chief Investment Officer

Mr. L. Fuller

Consulting Actuary

Mr. J. A. Turnbull, F.S.A., F.C.I.A.

Board Meetings

During the year the Board held 6 meetings and each of the Board committees held several meetings.

Highlights of 1988

	1988 (thousands of dollars)	1987
Book Value of Investments	\$828,124	\$737,580
Investment Income	\$ 78,896	\$ 71,600
Yield on Investments	10.5%	10.7%
Employee Contributions	\$ 51,545	\$ 46,246
Employer Payments	\$ 31,421	\$ 27,908
Pension Payments, etc.	\$ 62,322	\$ 54,637
Refund of Contributions & Interest	\$ 5,683	\$ 5,105
General Expenses — Net	\$ 1,145	\$ 980
Participants in Fund	30,260	29,626
Pensioners and Other Recipients	7,023	6,541

Celebrating "50" Years Of Pensionable Service

The Civil Service Superannuation Fund (the Fund) was established by an Act of the Legislature on May 1, 1939 called the Civil Service Superannuation Act. A Board was given authority to administer the Act.

The first Board comprised four members and was chaired by Mr. E. J. Tarr, until September, 1941 at which time Mr. J. E. Woods was appointed Chairperson of the Board. The initial Board included two employee representatives and two employer representatives and was one of the first Boards to include employee representatives. Mr. Woods continued as Chairperson for 20 years during which time the Board expanded to six members. In 1961 Mr. H. A. Benham was appointed Chairperson and the Board was expanded to its current eight members. Mr. Benham served the Board until June, 1976 when Mr. S. J. Anderson, retired Deputy Minister of Finance, was appointed Chairperson. The current Chairperson, Mr. R. E. Archer, Executive Vice-President, Investments and Trusts of The Investors Group Inc. was appointed in 1979.

The Fund has benefited greatly over the years from the many hours of time, talent and commitment from its Chairpersons, all of whom had knowledge and experience in investment management.

The Chairperson also chairs the Investment Committee which by statute includes the Deputy Minister of Finance plus a person from the Board to represent the employees.

The Fund has also benefited greatly from the dedication, talent and commitment of appointed and elected members to ensure that fund administration costs are kept at a minimum yet the needs of fund members, pensioners and their families are met.

In terms of administrative staff, the Board's first acting secretary was Mr. F. B. Brisbin who served during the initial start of the fund until Mr. A. H. Sym was appointed secretary at year end 1939. Mr. Sym served as secretary until Mr. J. Watson's appointment in 1941. Mr. Watson served as secretary of the Board for 33 years until he passed away in 1974 and Mr. W. Worosz was appointed as General Manager in March, 1974.

As disclosed in the first Annual Report of the Civil Service Superannuation Board (the Board), dated November 22, 1940, the Fund began with 188 pensioners. During the year, 44 persons retired and five died leaving 227 pensioners. At the end of the first year of operation, the Fund had 2,778 participants and assets of \$5,476,149; as compared to 30,260 participants, 7,023 pensioners and other recipients and assets of \$842,989,000 as disclosed in this the 50th Annual Report of the Board.

1939

At inception of the Fund the employer assumed the full cost to provide pension benefits for permanent employment prior to 1939. Employee contributions were graduated for males and females based on age at entry from 4½% at age 20 in 5 year categories to age 56 and over at 7% of earnings. The employer matched contributions and the pension earned per year was 1/60 of average earnings of total pensionable service to a maximum of 66⅔%.

1940's

The ten year guarantee pension was added and retirement age was changed to age 65½.

1950's

Actuarially reduced early retirement (approximately 7% per year prior to age 65½) was made available with 15 years service and age 60 upon 60 days' notice. Optional forms of pension were available, as well as integration with OASP, which was payable to age 70. Pension selection deadline one year prior to retirement.

1960's

The 1960's witnessed dramatic changes to the Act. In 1961 the contribution rate was changed to 6%, pension formula changed to 2% x average earnings over last 15 years; maximum benefit 70%. The employer stopped matching contributions and paid one-half of pension payments. The average earnings calculation was improved from 15 to 10 years in 1965.

Contributions to the Fund were integrated with the Canada Pension Plan (CPP) in 1966. The Fund's fiscal year-end changed from March to December. The automatic to spouse pension (60%) on employee death (over age 60) was instituted with 15 or more years service; and early retirement (actuarially reduced) was permitted at age 55 with 15 or more years service. Disability pensions were built into the Act and the pension selection deadline changed from a year before retirement to retirement date. Normal retirement changed from 65½ to age 65.

The Board was made responsible for administering the Public Servants Insurance Act. This Act provides group life insurance and accidental death and dismemberment insurance protection for participating employees and life insurance protection to dependents of employees.

1970's

In 1970 the initial cost-of-living adjustment was paid, early retirement penalty changed to 3% per year between ages 55 and 65, vesting after 5 years of service and partial disabilities were built in. Also integration at early retirement with CPP was permitted.

Significant changes to the Act occurred in 1973. Cost-of-living adjustments were extended for a further 3 years. Average earnings changed to best 7 of last 12 years (max. 70%). The early retirement reduction of 3% per year was eliminated between ages 60 and 65. Automatic 60% spousal pension on employee death, regardless of age, permitted with 10 years service. The Board could also now enter into reciprocal agreements to provide pension portability. In addition to the prior individual counselling, in 1974 pre-retirement seminars and benefit seminars were introduced.

The buy-back of prior non-pensionable service was permitted in 1974 and the buy-back of War Service in 1976. In 1976 a cost-of-living increase was again paid and extended to include deferred accounts.

In 1977 permanent indexing was established and the early retirement reduction was reduced from 3 to 1½ % for each year between ages 55 and 60. The Act was changed to comply with the Pension Benefits Act concerning lock-in of contributions for terminating employees age 45 with 10 or more years service. Employee contributions were increased to 5.1% of CPP maximum earnings and 7% on excess.

Annual individual personalized employee benefits statements were first prepared in 1979 and distributed to each employee through their employer.

1980's

The indexing account was improved, in 1981, '82 and '83, by transferring excess interest earnings on the pensioner share of the Fund to the Account.

In 1983 the Civil Service Special Supplementary Severance Benefit Act was passed to create an incentive for voluntary early retirement and 488 persons retired during a 3 month period.

The pension formula was changed to calculate pensions based on 83% of average of best 7 of last 12 years earnings and 17% of best 6 of last 12 years.

In 1984 the Act experienced considerable change to comply with Pension Reform concerning mandatory participation for part-time employees, competitive interest rates on member accounts, lock-in on post 1985 service with 5 or more years service, mandatory survivor retirement option for employees with spouses and splitting of pension on marriage break-up. In mid '84 the pension formula was improved to an average of the best 6 of the last 12 years and the early retirement reduction was changed to ¾ of 1% for each year prior to age 60.

The graduated percentage reduction in benefits for deferred members with 5 to 10 years service was eliminated. The commuted value of the pension for service commencing January 1, 1985 was paid to families of employees who died with 5 or more years of service. In addition unisex tables were introduced, a Money Purchase Pension plan for transfers, etc., began, as well as Qualifying Service agreements recognizing service from other plans as eligibility.

In September '85 the pension formula was changed so pensions are calculated based on the average of the best 5 of the last 12 years earnings (max. 70%). Employees are now also permitted to use pay in lieu of vacation as pensionable earnings to a maximum of the lesser of 2 years normal vacation or 50 days.

Historically, changes to the Act have always been passed on to current pensioners and beneficiaries from the effective date of the change. These changes in benefits applicable to active members has significantly improved the benefit status of pensioners.

Currently the fund administration, headed by the General Manager, is made up of four divisions, Administrative Services, Communication and Counselling Services, Financial and Computer Services, and Investments. The role and mission is to administer the various Acts and insurance policies under the direction of the Board and to provide efficient services and equitable treatment to all members, pensioners and recipients.

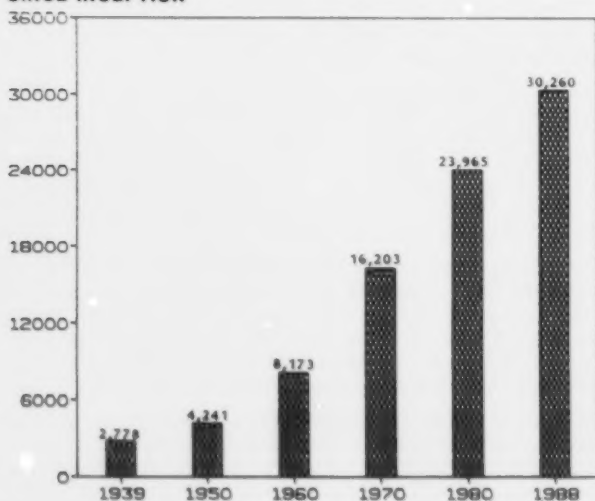
The major objectives and responsibilities are to pay benefits promptly and efficiently, maintain detailed, accurate records of all revenue and expenditure transactions plus employee contributions, salaries, service and interest by individual member, to safeguard the assets of the Fund and meet disclosure requirements concerning Fund operations, to provide direction to employers concerning their responsibility in administering the various benefits, to inform all members, pensioners and recipients of their benefit entitlements and ensure that their needs concerning benefit information have been satisfied.

The primary objective of the Investment policy is to ensure that the financial requirements of the Fund are met while at the same time ensuring that benefits are as generous as possible and contributions are as low as possible. The Investment Committee meets regularly to plan and review fund asset mix, set investment policy, approve new investments as well as monitor existing investments.

The following 3 charts illustrate the growth of our membership, pensioners and assets since inception.

PARTICIPANTS

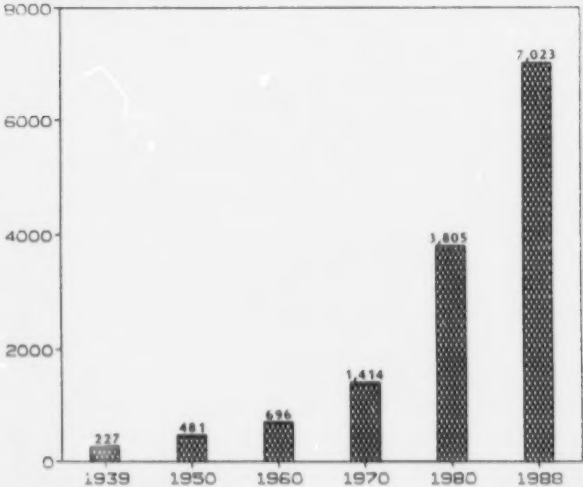
SINCE INCEPTION



In order to improve communications, the Board has installed a toll-free telephone (1-800-432-5134) within Manitoba. Board staff shall continue to build on their role as an informed pension and insurance counsellor, to improve services through trying to achieve excellence in administration and to upgrade computer technology to meet the increasingly more complex needs of members and their families.

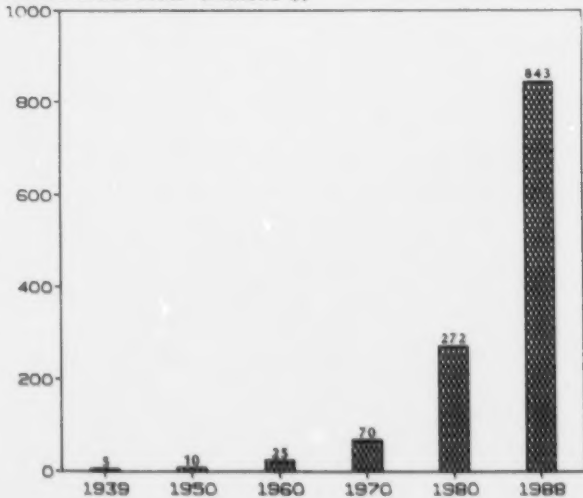
PENSIONERS/RECIPIENTS

SINCE INCEPTION



FUND ASSETS

SINCE INCEPTION (millions \$)



Pension Benefits

During the year covered by this report, pensions and instalment refunds paid totalled \$62,322,000, a net increase of \$7,685,000 (14.1%) over 1987. There were 7,023 persons receiving pensions or contributions and interest in monthly instalments at December 31, 1988 as compared to 6,541 persons one year earlier. At December 31, 1988 there were:

1. 6,003 pensioners, 588 new retirements and 193 deaths for a net increase of 395 for the year;
2. 597 deceased pensioners' beneficiaries receiving pensions;
3. 419 spouses receiving the automatic pension payable to the spouse of an eligible employee who dies in service;
4. 4 employees' spouses receiving pensions because of marriage break-up.

Of the 424 new male pensioners, 98 retired at age 65 or later, 287 retired before age 65 and 39, who were under age

60, were granted disability retirement. (For an employee who is age 60 or over, the pension for disability retirement is the same as for early retirement).

Of the 164 new female pensioners, 44 retired at age 65 or later, 107 retired before age 65, and 13 who were under age 60 were granted disability retirement.

New 1988 pensioners include 28 former employees with vested benefits who commenced receiving their pensions during the year.

Integration with the Old Age Security Pension was selected by 282 male pensioners (87%) and 90 female pensioners (75%) who retired before age 65.

Integration with the Canada Pension was selected by 115 male pensioners (35%) and 28 female pensioners (23%) who retired before age 60.

Employees retiring during 1988 elected the following pension options:

	Males	Females	Total
Pension reducing to one-half at pensioner's death	42	9	51
Pension reducing to two-thirds at pensioner's death	280	27	307
Ten-Year guaranteed pension	15	16	31
Lifetime Pension*	80	108	188
Other	7	4	11
Total	424	164	588

*Note: The majority of the retiring employees who elected the lifetime pension were either single or had small pensions due to short service.

An amendment to the Pension Benefits Act effective January 1, 1984 requires that employees, who at the time of retirement have a spouse, must select a joint form of pension that at the death of the pensioner provides two-thirds of the pension to the spouse for life. This compulsory pension option may be waived if the employee's spouse completes a spousal waiver form.

There were also 57 employees who reached age 65 during 1988 and who continued to work into 1989. As at December 31, 1988, 145 employees were continuing to work past age 65 and contributing to the Superannuation Fund as follows:

Year of 65th Birthday	Number of Employees Working Past Age 65
1988	57
1987	26
1986	21
1985	21
1984	7
1983	13
Total	145

Cost-of-Living Adjustment in Pensions

Effective July 1, 1988 a cost-of-living adjustment was paid to eligible pensioners and to beneficiaries receiving pensions in respect of deceased pensioners who retired before July 1, 1987. The adjustment was limited to the extent that the amount in the separate Superannuation Indexing Adjustment Account was actuarially able to finance one-half of each increase. (See Exhibit D and Note 2(f) of the audited financial statements.)

The Account receives 10.2% of the total annual required contributions made by employees to the Fund. This Account funds 50% of the annual cost-of-living adjustment payment, and non-matching employers are billed for 50% of the monthly payments. All of the funds in this account, as at July, 1988,

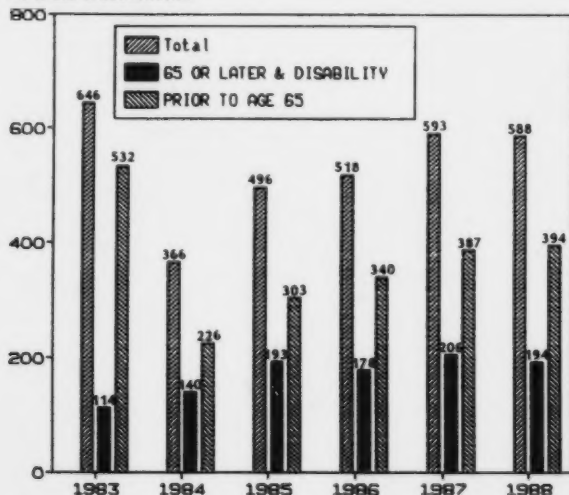
are required to meet the commitment for existing cost-of-living adjustments to be paid over the future life expectancy of current pensioners.

The pensioner payroll is increasing much more rapidly than the contributions to the Account. Consequently, the Account was only able to fund, on average, approximately two-thirds of the rise in the consumer price index as at July 1, 1988.

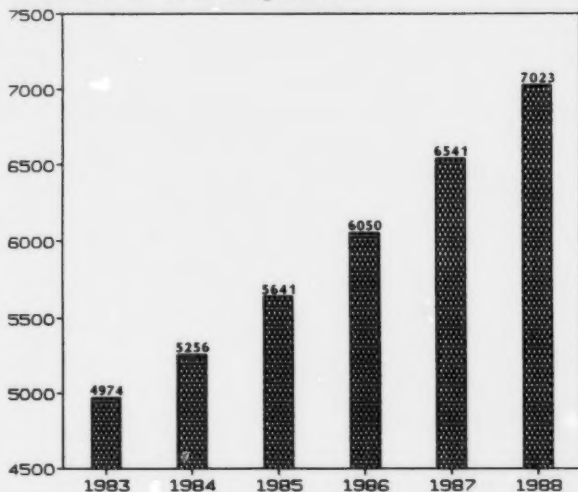
The cost-of-living increase is related to service and the amount of pension received. The increase was equal to 41¢ a month for each year of pensionable service, to a maximum of 35 years, plus 1.39% of the ordinary lifetime pension plus accumulated cost-of-living increases to date.

Pensioners — Six-Year Comparisons

Retirements

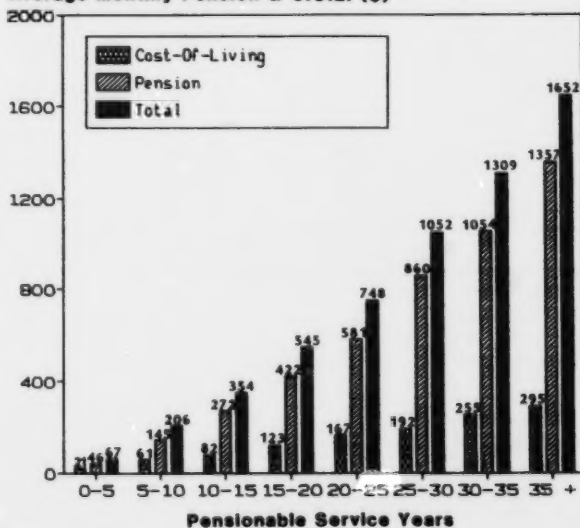


Pensioners/Recipients



Pension Amounts

Average Monthly Pension & C.O.L. (\$)



Refunds

There were 1,358 employees who resigned and received refunds of contributions and interest amounting to \$3,521,463. The estates of 17 em-

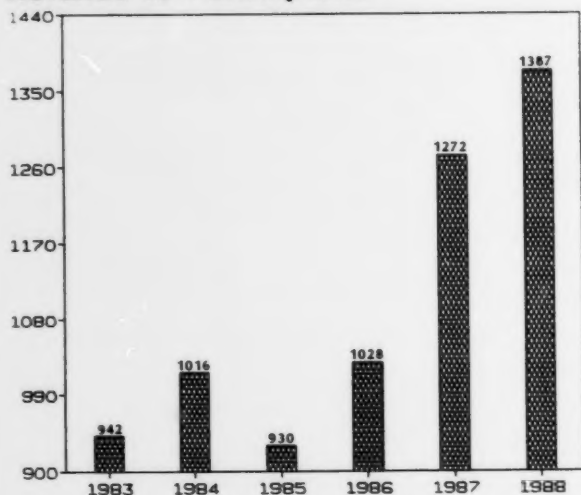
ployees who died received refunds of contributions and interest amounting to \$78,491. These refunds are divided as follows:

	Employees	Contributions Refunded	Interest Refunded
Alcoholism Foundation of Manitoba	15	\$ 27,976	\$ 3,555
Civil Service Superannuation Board	1	584	10
Communities Economic Development Fund	2	2,507	122
Housing Authorities	28	47,954	6,091
Legal Aid Services Society of Manitoba	7	20,619	4,534
Liquor Control Commission	25	49,082	6,985
Manitoba Beef Commission	1	12,200	1,989
Manitoba Centennial Centre Corp.	1	327	4
Manitoba Civil Service	823	1,833,778	252,602
Manitoba Crop Insurance Corp.	7	23,973	4,141
Manitoba Data Services	15	40,831	6,049
Manitoba Health Services Commission	43	91,055	14,346
Manitoba Hog Producers' Marketing Bd.	1	1,535	94
Manitoba Horse Racing Commission	1	9,985	1,927
Manitoba Human Resources Opportunity Centres	9	6,123	252
Manitoba Hydro-Electric Board	126	338,146	53,551
Manitoba Lotteries Foundation	5	12,864	1,657
Manitoba Milk Producers' Marketing Bd.	2	2,163	90
Manitoba Public Insurance Corp.	76	216,457	35,365
Manitoba Public Investments Corp.	4	10,213	375
Manitoba Research Council	14	22,048	1,746
Manitoba Telephone System	147	316,680	56,792
Deferred Pension Accounts	12	38,357	9,318
Reciprocating Manitoba Accounts	10	11,149	1,753
Total	1,375*	\$3,136,606	\$463,348

*Includes 245 terminated employees who chose a deferred pension as well as a refund or transfer of funds; excludes 29 transfers out under reciprocal agreement.

There were also other refunds or transfers totalling \$2,081,744 in respect of excess employee contributions at termination or retirement, pensioner deaths, commuted value payments and marriage breakdowns.

**Six-Year Comparison
Refunds to Participants**



Reciprocal Agreements

Reciprocal agreements permitting the transfer of pension credits between the Civil Service Superannuation Board and the following pension plan authorities were in effect on December 31, 1988:

Government of Canada—Treasury Board
 The Province of British Columbia—Superannuation Commissioner
 The Province of Alberta—Public Service Pension Board
 The Province of Alberta—Public Service Management Pension Board
 The Province of Alberta—Local Authorities Pension Board
 The Province of Saskatchewan—Public Service Superannuation Board (Old Plan)
 The Province of Saskatchewan—The Public Employees Superannuation Plan Supervisory Board (Money Purchase Plan)
 The Province of Ontario—Minister of Government Services
 The Province of New Brunswick—Minister of Finance
 The Province of Newfoundland—Minister of Finance

The Province of Nova Scotia—Minister of Finance
 The Province of Prince Edward Island—Minister of Finance
 Canadian Broadcasting Corporation
 Canadian Interagency Forest Fire Centre
 Canadian National Railway
 Canada Mortgage and Housing Corporation
 City of Regina
 Crown Investments Corporation of Saskatchewan
 The Council of Maritime Premiers
 Hy-Line Credit Union
 Ontario Hydro
 Ontario Municipal Employees Retirement Board
 (a) Ontario Municipalities
 (b) Ontario Council of Regents for the Colleges of Applied Arts and Technology
 Saskatchewan Government Insurance
 Saskatchewan Power Corporation Superannuation Board
 The Teachers' Superannuation Commission of the Province of Ontario

	Transfers to Manitoba		Transfers from Manitoba	
	Number	Amount	Number	Amount
Government of Canada	28	\$483,824	14	\$156,676
Provincial Public Service				
Alberta	2	51,372	4	20,681
British Columbia	2	43,226	3	30,013
Newfoundland	1	17,454	-	-
Ontario	-	-	5	97,285
Saskatchewan	8	295,496	-	-
CBC	1	6,129	-	-
CMHC	1	35,438	-	-
CNR	2	23,092	-	-
Crown Investments Corp of Saskatchewan	1	37,677	-	-
OMERS	-	-	3	39,880
1988 Totals	46	\$993,708	29	\$344,535
1987 Totals	28	\$408,421	23	\$301,934

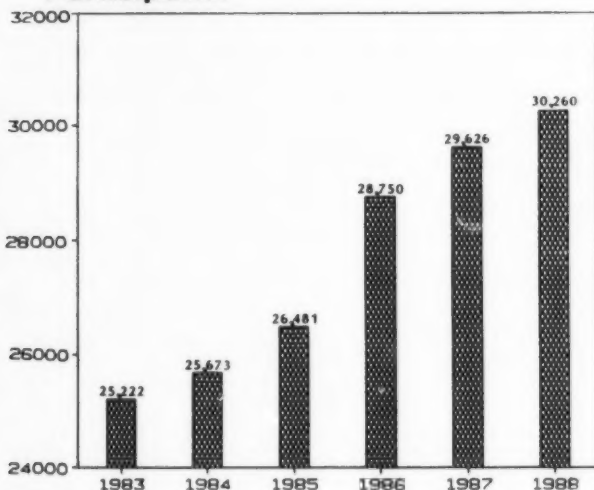
Participants

The number of participants in the pension plan increased by 634. The distribution of participants by employer as at December 31, 1988 was as follows:

	Males	Females	Total
Alcoholism Foundation of Manitoba	81	92	173
Civil Service Superannuation Board	12	18	30
Communities Economic Development Fund	9	8	17
Housing Authorities	146	91	237
Legal Aid Services Society of Manitoba	28	56	84
Liquor Control Commission	334	161	495
Local Government Districts	1	-	1
Manitoba Agricultural Credit Corp.	34	22	56
Manitoba Beef Commission	4	12	16
Manitoba Centennial Centre Corp.	47	28	75
Manitoba Civil Service	8,969	7,200	16,169
Manitoba Crop Insurance Corp.	167	60	227
Manitoba Data Services	130	93	223
Manitoba Development Corp.	5	2	7
Manitoba Energy Authority	6	5	11
Manitoba Government Employees' Assoc.	21	17	38
Manitoba Health Services Commission	199	521	720
Manitoba Hog Producers' Marketing Bd.	12	11	23
Manitoba Horse Racing Commission	5	3	8
Manitoba Hydro-Electric Board	3,368	710	4,078
Manitoba Human Resources Opportunity Centres	32	43	75
Manitoba Lotteries Foundation	72	34	106
Manitoba Milk Producers' Marketing Bd.	8	10	18
Manitoba Public Insurance Corp.	588	511	1099
Manitoba Research Council	55	28	83
Manitoba Telephone System	2,688	2,303	4,991
Manitoba Turkey Producers' Marketing Board	2	4	6
Manitoba Water Services Board	13	-	13
Public Investments Corporation of Manitoba	1	2	3
Teachers' Retirement Allowances Fund Board	7	13	20
Universities Grants Commission	3	2	5
Deferred Pension Accounts	426	390	816
L.T.D. Pensioners	29	14	43
Manitoba Reciprocal Agreements	110	61	171
Pending Reciprocal Agreements	23	12	35
Pending Terminations	47	41	88
Total	17,682	12,578	30,260

Under Pension Reform, part-time, seasonal, casual or departmental employees must contribute to the Superannuation Fund after earning 25% of the maximum Canada pensionable earnings in two consecutive calendar years commencing with 1984.

Six-Year Comparison Participants



Marriage Break-up

Consistent with The Pension Benefits Act, The Civil Service Superannuation Act requires that when a marriage break-up occurs, after December 31, 1983, and there has been an agreement to divide the family assets, 50% of the commuted value of pension benefits earned during the period of marriage

must be transferred to a locked-in pension account of the spouse. One-half of the amount transferred to the spouse is recovered from the employers who do not match employee contributions. The following table compares activity during 1987 and 1988.

Annual Marriage Breakup Stats

	1988	1987
Opening in Process	112	102
New Applications	112	106
Reconciled	(9)	-
Transfers Completed	(56)	(96)
In Process at Year End	159	112
Total \$ Transferred Out	\$698,826	\$853,095

Communication and Counselling Services

During 1988, the Civil Service Superannuation Board conducted 46 Information Seminars on Superannuation and Group Insurance benefits on the subjects of eligibility, entitlement to benefits, family protection, disability, death, etc., for employees of the government and its related boards, commissions, and agencies in major centres throughout Manitoba.

In addition, the Board conducted 26 one-day Pre-Retirement Planning Seminars which were attended by approximately 735 participants (employees and spouses) in major centres throughout the Province. Topics emphasized in the seminar content are benefit awareness and options concerning superannuation and group insurance for retirement. Topics also covered during the seminar are CPP, OASP, UIC, Blue Cross, estate planning as well as subjects related to retirement lifestyle planning such as the effective use of leisure hours, health, alternate lifestyles, etc. A pre-

retirement information package including a Retirement Planning Guide, prepared and printed by the Board staff, is distributed to seminar participants. As part of the presentation, audio-visual aids are used along with a comprehensive film on the subject of retirement planning which reinforces the subjects covered in the seminar.

The staff of the Board will also conduct pre-retirement planning seminars and/or informational sessions on benefits for interested groups of participants throughout the Province.

In addition to providing seminars the Board has benefit counsellors available to meet in a private, confidential setting with participants and/or their families to discuss and explain benefits.

Employees were provided with their annual benefit statement with information on employee status, as well as current and projected benefit entitlement. Employees also received a copy of the Board's Annual Report.

Investments

The Fund's total assets were approximately \$843 million as at December 31, 1988, an increase of 12.0% over 1987. Investment income increased \$7.3 million or 10.2%. The net yield on the total Fund for 1988 was 10.5% versus 10.7% in 1987.

The Fund committed \$36.3 million to mortgages at average yields of 10.5% plus \$7.0 million to Guaranteed Investment Certificates at an average yield of 11.2% as an alternative to mortgages.

Also \$1.6 million was committed to oil and gas through Canadian Pencrown Resources Ltd.

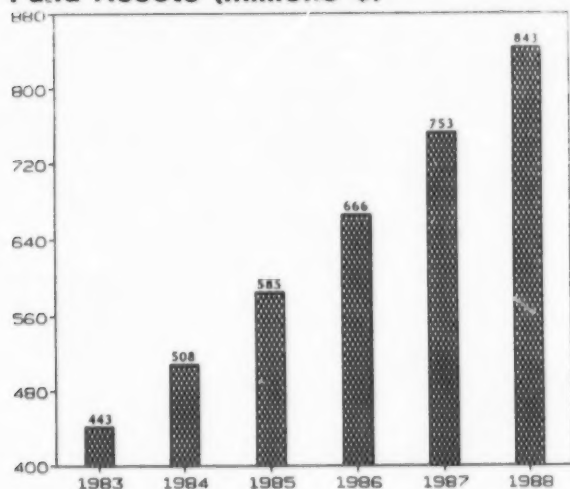
The average yield on net bond purchases of \$19.5 million in 1988 was 10.7%.

As at December 31, 1988, the Fund held \$114.2 million in short-term paper, yielding an average of 10.51% versus \$90.6 million yielding an average of 8.76% as at December 31, 1987.

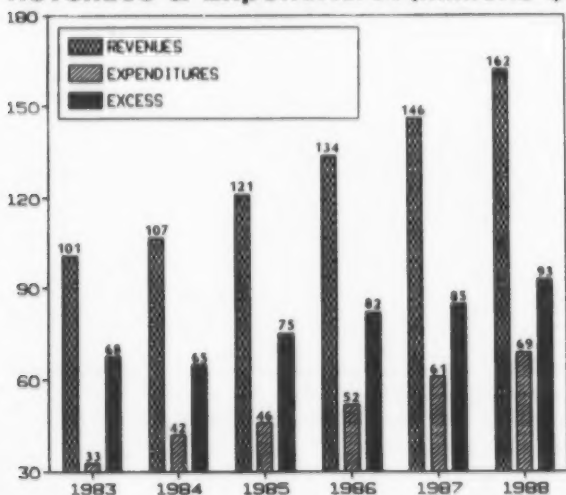
The following comparative table illustrates the Fund's investment holdings:

	1988 (000's)	1987 (000's)	Increase (Decrease) (000's)
Bonds & Debentures			
Federal & Provincial	\$126,391	\$ 99,972	\$26,419
City & Municipal	11,600	11,911	<311>
Corporate	217,638	243,719	<26,081>
Managed Funds	45,551	4,330	41,221
Sub-total	401,180	359,932	41,248
Mortgages.			
NHA Mortgages	64,031	77,085	<13,054>
Other Mortgages	69,774	51,653	18,121
Pooled Mortgage Fund	18,978	7,242	11,736
Sub-total	152,783	135,980	16,803
Equities			
Common Stock	83,777	75,804	7,973
Real Estate	39,256	39,902	<646>
Petroleum & Natural			
Gas Interests	19,228	17,726	1,502
Venture Capital	3,924	4,006	<82>
Sub-total	146,185	137,438	8,747
Short-term Certificates	114,212	90,550	23,662
Total	\$814,360	\$723,900	\$90,460

Six-Year Comparison **Fund Assets (millions \$)**



Six-Year Comparison **Revenues & Expenditures (millions \$)**



Changes in Status - Participants

For the year ended December 31, 1988

Males					
Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1988
-19	15	2	-	-	14
20-24	273	62	-	-	836
25-29	251	165	-	-	1,948
30-34	207	125	-	-	2,663
35-39	139	112	2	1	3,030
40-44	90	56	2	3	2,922
45-49	47	43	4	4	2,214
50-54	37	17	5	9	1,882
55-59	18	14	10	152	1,369
60-	15	17	13	255	804
	1,092	613	36	424	17,682

Females					
Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1988
-19	24	2	-	-	27
20-24	237	76	-	-	813
25-29	292	222	-	-	2,192
30-34	265	191	1	2	2,598
35-39	185	118	1	2	2,274
40-44	129	78	-	-	1,701
45-49	88	37	2	1	1,203
50-54	25	22	2	4	838
55-59	18	19	2	38	607
60-	5	9	2	117	325
	1,268	774	10	164	12,578
Totals	2,360	1,387*	46	588	30,260

*Includes 245 terminated employees who chose a deferred pension as well as a refund or transfer of funds and 29 transfers out under reciprocal agreement.

Changes in Status - Pensioners

For the year ended December 31, 1988

Males

Ages	Pensioners at Dec. 31, 1987	New Retirements	Deaths	Pensioners at Dec. 31, 1988
-59	455	169	5	497
60-64	841	145	16	905
65-69	1,138	101	24	1,212
70-74	777	9	36	836
75-79	427	-	34	438
80-84	201	-	24	207
85-89	55	-	8	68
90-	23	-	8	23
	3,917	424	155	4,186

Females

Ages	Pensioners at Dec. 31, 1987	New Retirements	Deaths	Pensioners at Dec. 31, 1988
-59	179	47	2	189
60-64	303	69	3	340
65-69	433	44	7	453
70-74	353	4	4	373
75-79	239	-	9	263
80-84	117	-	7	123
85-89	52	-	3	56
90-	15	-	3	20
	1,691	164	38	1,817
Totals	5,608	588	193	6,003

Board Members

The Board acknowledges with respect and appreciation the contributions made to the Board by the following Board Members:

Mr. C. E. Curtis	1972 - 1988
Dr. A. Decter	1985 - 1988
Mr. C. Fordyce	1982 - 1988
Mr. R. M. Fraser	1982 - 1988
Ms. E. Hamerton	1987 - 1988
Ms. A. Hrenchuk	1985 - 1988
Mr. H. G. Restall	1985 - 1988

The Board is pleased to welcome the appointment of Ms. C. A. Dutcheson, Mr. W. R. Hooper, Mr. H. Janzen, Dr. P. Lommerse, Mr. M. J. Painchaud, Ms. L. Piche and Ms. S. Walker as new Board Members.



Manitoba

The Civil Service Superannuation Fund Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A to E and Schedules 1 to 4, of The Civil Service Superannuation Fund for the fiscal year ended December 31, 1988. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements on a basis consistent with that of the preceding year.

F. H. Jackson, CA
Provincial Auditor

February 24, 1989
Winnipeg, Manitoba

Exhibit A
The Civil Service Superannuation Fund

Balance Sheet

as at December 31, 1988

	1988 (Thousands of Dollars)	1987 (Thousands of Dollars)
ASSETS		
Cash	\$ 126	\$ 1,523
Employees' and employers' contributions and payments receivable	639	604
Investments, Schedule 1, Note 2(b)	828,124	737,580
Accrued investment income	12,115	11,033
Debt due from the Province of Manitoba, Note 2(c)	1,826	1,826
Furniture, fixtures and equipment Note 2(d)	1	1
Computer equipment, Note 2(e) at cost less accumulated amortization: 1988 - \$126 1987 - \$ 89	149	142
Computer programs development expenses, Note 2(e) at cost less accumulated amortization: 1988 - \$147 1987 - \$144	9	10
	<u>\$842,989</u>	<u>\$752,719</u>
LIABILITIES		
Accounts payable	\$ 122	\$ 65
Contributions received in advance	-	1,213
Money purchase accounts plan, Exhibit E, Note 5	651	356
Accumulated unrealized foreign exchange, Note 6	(1,386)	(168)
Provision for investment losses, Exhibit C, Note 2(b)(v)	1,241	1,435
Superannuation indexing adjustment account, Exhibit D, Note 2(f)	47,499	43,187
Reserve for present and future benefits, Exhibit B	794,862	706,631
	<u>\$842,989</u>	<u>\$752,719</u>

Exhibit B
The Civil Service Superannuation Fund

**Statement of Changes in the Reserve
for Present and Future Benefits**

for the year ended December 31, 1988

	1988 (Thousands of Dollars)	1987
Additions:		
Employers' and employees' payments and contributions, Schedule 2	\$ 82,966	\$ 74,154
Investment income, net, Schedule 3	78,896	71,600
Interest on debt due from the Province of Manitoba, Note 2(c)	73	73
Bank and other interest	103	111
Total additions	<u>162,038</u>	<u>145,938</u>
Deductions:		
Superannuation and supplementary allowances	62,322	54,637
Refunds of contributions and interest	5,683	5,105
Payments of employee contributions to other pension plans	344	302
Administrative expenses, net, Schedule 4	1,145	980
	<u>69,494</u>	<u>61,024</u>
Transfer:		
Net transfer to superannuation indexing adjustment account, Exhibit D	4,313	4,172
Total deductions	<u>73,807</u>	<u>65,196</u>
Net increase for the year	88,231	80,742
Balance at beginning of year	<u>706,631</u>	<u>625,889</u>
Balance at end of year, Exhibit A	<u>\$794,862</u>	<u>\$706,631</u>

Exhibit C
The Civil Service Superannuation Fund

**Statement of Changes in the Provision
for Investment Losses**

for the year ended December 31, 1988

	1988 (Thousands of Dollars)	1987
Addition:		
Transfer from investment income, Schedule 3	\$ 828	\$ 737
Total addition	<u>828</u>	<u>737</u>
Deduction:		
Net write-down of permanently impaired investments, Note 4	1,022	-
Total deduction	<u>1,022</u>	<u>-</u>
Net (decrease) increase for the year	(194)	737
Balance at beginning of year	<u>1,435</u>	<u>698</u>
Balance at end of year, Exhibit A	<u>\$ 1,241</u>	<u>\$ 1,435</u>

Exhibit D
The Civil Service Superannuation Fund

**Statement of Changes in the Superannuation
Indexing Adjustment Account**

for the year ended December 31, 1988

	1988	1987
	(Thousands of Dollars)	(Thousands of Dollars)
Additions:		
Allocation of 10.2% of employees' and employers' contributions	\$ 5,139	\$ 4,664
Interest	5,202	4,762
Total additions	10,341	9,426
Deductions:		
Charge for one-half of all superannuation adjustments	6,028	5,254
Total deductions	6,028	5,254
Net transfer from reserve for present and future benefits, Exhibit B	4,313	4,172
Balance at beginning of year	43,186	39,014
Balance at end of year, Exhibit A	\$ 47,499	\$ 43,186

Exhibit E
The Civil Service Superannuation Fund

Statement of Money Purchase Accounts Plan

for the year ended December 31, 1988

	1988 (Thousands of Dollars)	1987 (Thousands of Dollars)
Additions:		
Deposits	\$ 324	\$ 216
Interest income	41	18
	<u>365</u>	<u>234</u>
Deductions:		
Refund of deposits	67	14
Transfer to Civil Service Superannuation Fund re annuity, Schedule 2	-	12
Administration fees charged by Civil Service Superannuation Fund	3	3
	<u>70</u>	<u>29</u>
Increase for the year	295	205
Balance at beginning of year	356	151
Balance at end of year, Exhibit A, Note 5	<u>\$ 651</u>	<u>\$ 356</u>

Schedule 1
The Civil Service Superannuation Fund

Summary of Investments

as at December 31, 1988

	1988		1987
	Par Value	Book Value	Book Value
(Thousands of Dollars)			
Fixed income investments, Note 2 (b)(i)			
Term deposits	\$114,212	\$114,212	\$ 90,549
Bonds and debentures			
Government of Canada	36,675	37,701	42,799
Province of Manitoba	25,083	24,974	26,947
Province of New Brunswick	6,500	7,473	-
Province of Newfoundland	2,000	2,000	-
Province of Nova Scotia	2,975	2,975	1,600
Province of Ontario	45,475	44,269	24,627
Province of Saskatchewan	4,000	4,000	4,000
Government of Northwest Territories	3,000	3,000	-
Hospitals	3,695	3,695	3,954
Municipal Corporations	7,880	7,905	7,957
Corporations	218,610	217,638	243,718
	355,893	355,630	355,602
Fixed Income Component			
Balanced Funds			
(includes short term)		45,551	-
Pooled bond funds		-	4,330
		401,181	359,932
Mortgages			
Insured, National Housing Act (Canada)	68,326	64,031	77,085
Index-Linked	9,895	9,895	-
Uninsured	59,969	59,879	51,653
	138,190	133,805	128,738
Pooled mortgage funds		18,978	7,242
		152,783	135,980
Unamortized losses (gains) on disposition		768	(138)
Total fixed income investments at amortized cost		\$668,944	\$586,323

Schedule 1 continued
The Civil Service Superannuation Fund

Summary of Investments

as at December 31, 1988

	1988		1987
	Par Value	Book Value	Book Value
(Thousands of Dollars)			
Equity investments, Note 2(b)(iii)			
Common stock		2,203	2,396
Equity Component Balanced Funds		81,544	73,378
Pooled Common Stock		30	30
Petroleum and natural gas investments		19,227	11,741
Investment in subsidiary, Notes 2(b)(ii) and 4		1	5,985
Venture capital, limited partnerships		3,924	4,006
Real estate, Note 2(b)(iv)			
Participating bonds		24,696	26,852
Qualifying shares		2,064	2,064
Units of pooled real estate		12,496	10,986
Accumulated unrealized appraisal adjustments		17,471	14,486
Unamortized losses (gains) on disposition		(4,476)	(667)
Total equity investments		159,180	151,257
Total investments, Exhibit A		\$828,124	\$737,580

Schedule 2**The Civil Service Superannuation Fund****Statement of Payments and Contributions**

for the year ended December 31, 1988

	1988			1987
	Employer	Employee	Total	Total
	(Thousands of Dollars)			
Province of Manitoba Civil Service	\$14,755	\$27,838	\$42,593	\$38,140
Manitoba Telephone System	7,284	8,264	15,548	13,860
Manitoba Hydro-Electric Board	6,397	7,353	13,750	11,666
Liquor Control Commission	1,134	649	1,783	1,679
Manitoba Health Services Commission	515	1,155	1,670	1,489
Manitoba Public Insurance Corporation	183	1,806	1,989	1,867
Manitoba Agricultural Credit Corporation	69	113	182	176
Manitoba Crop Insurance Corporation	78	186	264	279
Manitoba Development Corporation	20	19	39	37
Communities Economic Development Fund	4	37	41	36
Teachers' Retirement Allowances Fund Board	-	41	41	37
Civil Service Superannuation Board	-	50	50	40
Workers Compensation Board	35	-	35	34
Manitoba Hog Producers' Marketing Board	25*	26	51	64
Local Government Districts	3*	3	6	6
Manitoba Government Employees' Association	80*	79	159	132
Universities Grants Commission	6	12	18	19
Manitoba Centennial Centre Corporation	61	90	151	129
Manitoba Milk Producers' Marketing Board	38*	39	77	66
Housing Authorities	272*	272	544	509
Manitoba Water Services Board	17*	17	34	36
Manitoba Turkey Producers' Marketing Board	8*	9	17	18
Alcoholism Foundation of Manitoba	68	294	362	343
Manitoba Horse Racing Commission	-	16	16	14
Manitoba Data Services	12	475	487	419
Long Term Disability	1	7	8	-
Subtotal, carried forward	<u>\$31,065</u>	<u>\$48,850</u>	<u>\$79,915</u>	<u>\$71,095</u>

*Employers' contributions based on employees' remuneration

Schedule 2 continued
The Civil Service Superannuation Fund

Statement of Payments and Contributions

for the year ended December 31, 1988

	1988		1987	
	Employer	Employee	Total	Total
	(Thousands of Dollars)			
Subtotal, brought forward	\$31,065	\$48,850	\$79,915	\$71,095
Manitoba Research Council	171*	172	343	333
Manitoba Beef Commission	25*	26	51	51
Manitoba Lotteries Foundation	2	194	196	155
The Legal Aid Services Society of Manitoba	-	161	161	153
Manitoba Energy Authority	-	35	35	15
Public Schools Finance Board	-	-	-	1
Human Resources Opportunity Centres	108*	109	217	184
Public Investments Corporation of Man.	-	26	26	3
Employees on workers compensation	-	2	2	2
Employees on loan	30	30	60	40
Repayment of contributions previously refunded	-	92	92	75
Payments based on prior non-pensionable employment	20	849	869	1,608
Payments based on war service	-	5	5	18
Receipts from other pension plans re transfer of employee benefits under reciprocal agreements	-	994	994	409
Transfer from Money Purchase Plan, Exhibit E	-	-	-	12
Total payments and contributions, Exhibit B	<u>\$31,421</u>	<u>\$51,545</u>	<u>\$82,966</u>	<u>\$74,154</u>

*Employers' contributions based on employees' remuneration

Schedule 3
The Civil Service Superannuation Fund

Statement of Investment Income

for the year ended December 31, 1988

	1988 (Thousands of Dollars)	1987 (Thousands of Dollars)
Fixed income:		
Interest	\$ 64,760	\$ 59,278
Foreign exchange, Note 6	(347)	(42)
Amortization of discounts (premiums) net, Note 2(b)(i)	278	342
Amortization of realized gains, Note 2(b)(i)	544	564
Transfer to provision for investment losses, Exhibit C, Note 2(b)(v)	(828)	(737)
	<u>64,407</u>	<u>59,405</u>
Equity income:		
Net income of the subsidiary, Note 4	(175)	576
Real estate dividends and interest, Note 2(b)(iv)	3,432	3,512
Other dividends and interest	7,774	4,833
Unrealized appraisal adjustments, Note 2(b)(iii)	2,985	3,344
Amortization of realized gains, Note 2(b)(iii)	1,177	204
	<u>15,193</u>	<u>12,469</u>
Gross investment income	79,600	71,874
Less, investment related expenses, Note 7	(704)	(274)
Total net investment income, Exhibit B	<u>\$ 78,896</u>	<u>\$ 71,600</u>

Schedule 4
The Civil Service Superannuation Fund

Statement of Administrative Expenses, Net
for the year ended December 31, 1988

	1988 (Thousands of Dollars)	1987 (Thousands of Dollars)
Salaries and fringe benefits:		
Salaries—permanent staff	\$ 890	\$ 756
Salaries—part-time staff	14	4
Fringe benefits	59	46
Pensions paid—employer cost	19	18
Health and post-secondary education tax levy	24	18
	<u>1,006</u>	<u>842</u>
Professional fees:		
Actuary—pension	42	84
Audit	37	36
Legal	6	-
	<u>85</u>	<u>120</u>
Computer related costs:		
Amortization of equipment	47	39
Amortization of program development expense	3	3
Maintenance and supplies	16	14
	<u>66</u>	<u>56</u>
Printing and stationery:		
Microfilming	3	4
Photocopy service	7	6
Printing	29	25
Stationery and supplies	26	25
	<u>65</u>	<u>60</u>
Other:		
Bank Charges	18	22
Education	7	7
Furniture and fixtures	19	36
Machine rentals and servicing	6	6
Medical examinations	11	10
Miscellaneous	27	17
Relocation Costs	43	-
Seminars and travelling	15	12
Telephone, postage and delivery	59	33
	<u>205</u>	<u>143</u>
Subtotal, carried forward	\$ 1,427	\$ 1,221

Schedule 4 continued
The Civil Service Superannuation Fund

Statement of Administrative Expenses, Net

for the year ended December 31, 1988

	1988 (Thousands of Dollars)	1987 (Thousands of Dollars)
Subtotal, brought forward	\$ 1,427	\$ 1,221
Less:		
Operating recoveries for the administration of:		
Public Service Group Insurance Fund	(88)	(79)
Municipal Employees Benefits Board	(53)	(53)
Money Purchase Accounts Plan, Note 5	(4)	(3)
Manitoba Hydro Retirement Plan	(4)	-
Long Term Disability	(20)	-
Investment administrative expenses, Note 7	(113)	(106)
Total administrative expenses, net, Exhibit B	<u>\$ 1,145</u>	<u>\$ 980</u>

Notes to the Financial Statements

The Civil Service Superannuation Fund
for the year ended December 31, 1988

1. Nature of the Organization:

The Civil Service Superannuation Fund is the pension plan for employees of the Government of Manitoba and its agencies as listed in Schedule 2. The employee contributions to the Fund and the employer contributions, where matching contributions are required, are administered by the Civil Service Superannuation Board. In addition, the Fund collects from the non-matching employers 50% of the monthly pension, including indexing adjustments, paid in respect of retired employees or surviving beneficiaries, and 50% of any vested amounts transferred out of the Fund on behalf of the employees.

The Civil Service Superannuation Board was established under The Civil Service Superannuation Act in May, 1939 and is responsible for administering the Act.

2. Significant Accounting Policies:

The significant accounting policies are summarized below:

- (a) The Fund follows the accrual basis of accounting except for refunds of employees' contributions which are reflected on the cash basis.
- (b) The investment valuation and income measurement policies consist of:
 - (i) Fixed income investments:

Premiums and discounts of one percent or less of par value are reflected in income in the year of investment acquisition. All other premiums and discounts are amortized to income on a straight line basis over the term of the in-

vestment commencing with the year of acquisition.

Zero coupon bonds are valued at the date of purchase and at the end of the year based on the purchase yield and the remaining term to maturity. The difference in the value of the bond from the date of purchase or the previous year end to the current year end will be charged or credited to income in the current year.

The majority of the Fund's fixed income investment portfolio is held for the long term and a part of the portfolio is traded actively. For long term holdings, the gains or losses on disposition, before maturity, are amortized to income on a straight line basis over the remaining term of the investment to a maximum of 20 years. The unamortized balances remain as part of the book value of the total investments. For those which are traded actively, the accounting is segregated and one-fifth of the realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of investment assets and amortized to income in equal amounts over the next four years.

- (ii) Investment in subsidiary:

The investment in the wholly-owned subsidiary Superannuation Resource Investment

Corporation of Manitoba Inc. is accounted for on the equity method. For the purpose of preparing the financial statements of the Fund, the Fund management estimates the income from the subsidiary for the year. Any adjustment required to reflect actual income will be recorded in the subsequent year.

(iii) Equity investments:

Equity investments are recorded at cost.

Petroleum and natural gas, and limited partnership investments have restrictions on their disposition.

One-fifth of any realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years.

One-fifth of the difference between the adjusted book value and the established market value of equity investments as at the end of the fiscal year is reflected in income and the offset reflected as an unrealized appraisal adjustment.

(iv) Real estate equity investments:

Income from real estate equity investments, evidenced by participating bonds, represents the Fund's proportionate share of the net cash flow generated by the underlying properties with no allowance having been made for depreciation. In the event the income from a property is insufficient

to pay the cost of its operations, the Fund is liable to make additional payments, without limitation in amount, equal to its share of such a deficiency.

Pooled real estate investments are recorded at cost plus the proportionate share of earnings reported by the property manager.

(v) Provision for investment losses:

Effective January 1, 1984, 1/10 of 1% of the book value of the investment assets is transferred annually to the provision for investment losses from investment income to a maximum of the provision not exceeding 1% of the book value of investment assets.

Impairment in the value of investments, considered to be permanent by the Investment Committee, is charged to the provision for investment losses.

(vi) Foreign currency translation:

Assets recorded in foreign currency are translated into Canadian currency at the prevailing year end rate of exchange, while revenues and related transaction charges recorded during the year are translated at the existing month end prevailing rate of exchange.

The translation adjustments required for these transactions, together with foreign exchange on the purchase and sale of foreign currency are recorded in the accumulated unrealized foreign exchange account. One-fifth of the accumulated unrealized

foreign exchange account is reflected in income for the year.

(c) Debt due from the Province of Manitoba:

The Province of Manitoba assumed an accrued liability of \$1,826,300 on account of its employees and pensioners as at May 1, 1939. The Province pays half-yearly interest on March 31st and September 30th at 4% per annum and may pay all or part of the debt at its option. In accordance with Section 24(1) of the Act, the aforementioned amount has been recorded as debt due from the Province.

(d) Furniture, fixtures and equipment:

Furniture, fixtures and equipment are recorded at a nominal fee of \$1.00. These purchases are charged to operations in the year of acquisition.

(e) Computer:

The computer equipment costs and program development expenses are capitalized and amortized on a straight line basis over six years.

(f) Superannuation indexing adjustment account:

In accordance with amendments to the Act, effective July 1, 1977, a program of controlled indexing was implemented whereby 10.2% of employees' and employers' annual contributions are allocated to a superannuation indexing adjustment account. Interest is allocated to the account on a basis related to the yield earned by the Fund on its mortgages, bonds and debentures. The account is intended to fund 50% of the cost-of-living adjustment payments made to pensioners and beneficiaries and the non-

matching employers are billed for 50% of the payments to their retired employees or their survivors.

Effective July 1 of each year, cost-of-living superannuation adjustment payments are calculated in accordance with the formula set out in the Civil Service Superannuation Act, Section 33(7). The formula is based on the Consumer Price Index increase in the previous calendar year and the increase in the calculated benefit index. Section 33(8) requires the calculated adjustment to be reduced if, in the opinion of the actuary, the adjustment would result in an unfunded liability in the superannuation indexing adjustment account as at December 31 of the preceding year. In 1988 the actuary recommended that only two thirds of the calculated adjustment be paid.

The annual actuarial valuation of the superannuation indexing adjustment account as at December 31, 1987 revealed that \$5,043,430 was available to actuarially finance additional cost-of-living increases for pensioners. Effective July 1, 1988, the Board approved and paid the actuarially calculated superannuation adjustment for 1988 in accordance with the formula set out in the Act, equal to:

- a) 1.39% (1987 — 2.09%) of the total lifetime pension plus any previously granted adjustments in that allowance, and
- b) 41¢ (1987 — 59¢) per month for each year of service, to a maximum of 35 years,

for those employees who retired before January 1, 1987. Employees who retired after that date, but before July 1, 1987, were paid a pro-rata portion of the adjustment. Beneficiaries of deceased pensioners receive

two-thirds of the adjustment that the pensioner would have been eligible for. The present value of the July 1, 1988 adjustment has been actuarially calculated to be equal to \$5,043,430 as at December 31, 1987, leaving no surplus or deficit balance outstanding at year end.

(g) Actuarial valuations:

(i) The financial statements do not take into account actuarial valuations and, therefore, do not reflect the financial position of the Fund on an actuarial basis. In accordance with the Act, an actuarial valuation and report is required every three years. The most recent actuarial report on The Civil Service Superannuation Fund, as at December 31, 1986, disclosed a surplus of \$31,788,810.

(ii) The Board has a legislative requirement to pay as an annual administrative expense, one-half of the pension benefits paid by the Fund on behalf of its retired employees. On the basis of an actuarial report, the unfunded provision for the Board's employees as at December 31, 1988 is estimated to be \$875,904 (1987 — \$753,455).

3. Amendment to the Civil Service Superannuation Act in 1986:

The Fund was authorized to credit the Government of Manitoba and its agencies \$83,853 per month from September 1, 1986 to August 31, 1989, amounting to \$3,018,708 for the three year period, to reduce the employers' costs of the pension formula improvement made in 1986. The balance outstanding as at December 31, 1988 is \$670,824 (1987 — \$1,677,060).

4. Investment in subsidiary:

The Superannuation Resource Investment Corporation of Manitoba Inc. (S.R.I.C.), a wholly-owned subsidiary of the Fund, was incorporated as a pension fund resource corporation under The Corporation Act of Manitoba on May 30, 1983 for the purpose of participating in oil and gas resource development projects on behalf of the Fund.

The subsidiary ceased its joint venture oil and gas resource project investment activity on April 13, 1988 and transferred its assets, including all investments, to the Fund in the exchange for a promissory note of \$3,793,825. The investment in S.R.I.C. has been reduced by setting off \$3,793,825 shareholder's advance against the promissory note, a repayment \$1,169,198 in cash and a write down of \$1,021,991 reflecting the decline in recorded value of joint venture oil and gas investments.

The Fund's investment in S.R.I.C. at December 31, 1988 is comprised of:

	1988	1987
Shareholder's advances	\$ -	\$5,408,469
Capital stock	1	1
Retained earnings estimated prior year's adjustment	-	467,153
	-	109,392
	-	576,545
Investment in subsidiary	\$ 1	\$5,985,015

5. Money Purchase Accounts Plan:

Manitoba Regulation 77/85 under the Civil Service Superannuation Act established a Money Purchase Accounts Plan effective January 2,

1985. Under this regulation, eligible individuals may transfer to the Plan an amount from either the Fund or pension plan of a prior employer, to provide for an annuity or other settlement in the future. The Plan is administered and accounted for separately by the Board for which the Board charges the Plan with an administration fee. The accumulated value of a participant's account, upon election of an annuity under the Plan, will be transferred to an annuity reserve as part of the reserve for present and future benefits of the Fund.

6. Accumulated unrealized foreign exchange:

An analysis of (gains) or losses in the accumulated unrealized foreign exchange account is shown below:

	1988	1987
Balance, beginning of year	\$(168,072)	\$ 192,564
Foreign exchange on purchase and sale of foreign currency	-	(1,057)
Translation of transactions	(173,625)	(287,156)
Net translation — investment assets	(1,391,797)	(114,441)
	(1,733,494)	(210,090)
Transfer to income	346,699	42,018
Balance, end of year	<u>\$(1,386,795)</u>	<u>\$(168,072)</u>

7. Investment Related Expenses:

Investment related expenses are summarized below:

	1988	1987
Direct	\$591,237	\$168,917
Administrative	113,356	105,753
	<u>\$704,593</u>	<u>\$274,670</u>

The Board approved the allocation of identifiable costs as Direct expenses. Where direct allocation is not practical, expenses are allocated on a prorated basis as administrative expenses.

8. Comparative figures:

Comparative figures for the year ended December 31, 1987 have been restated to conform with this year's presentation.